

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: January 4, 2007

PAYROLL LETTER #07-002  
Civil Service Only

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief  
Personnel/Payroll Services Division

RE: **HEALTH BENEFIT DEPENDENT VESTING**

Effective January 1, 2007, rank and file employees in Bargaining Units 1, 3, 4, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21 are subject to the Health Dependent Coverage Vesting schedule. The vesting schedule described in the Department of Personnel Administration (DPA) Personnel Management Liaison Memo 2006-030, dated August 24, 2006, requires that new employees (with no prior State service) hired on or after January 1, 2007 attain 24 months of State service before the maximum employer contributions can be paid for health dependent coverage. The State Controller's Office (SCO) will track an employee's months of service and adjust the coverage level appropriately.

### **VESTING SCHEDULE AND EMPLOYER CONTRIBUTIONS**

Beginning January 1, 2007, the SCO will identify employees newly hired with no prior State service and begin tracking the 2-year dependent coverage vesting period. All employees subject to dependent vesting will be placed at the appropriate coverage level as follows.

Service Months	Employer Contribution
1 to 12	50%
13 to 24	75%
25 or more	100%

Following are the Employer Dependent Contribution amounts for employees that are hired new to State service on or after January 1, 2007.

#### Bargaining Units 1, 3, 4, 10, 11, 12, 13, 14, 15, 20, and 21 (Non-Consolidated Benefits)

	50%	75%
Employee	\$337	\$337
Employee plus 1 dependent	\$507	\$592
Employee plus 2 or more dependents	\$608	\$744

#### Bargaining Units 16, 17, 18, and 19 (Consolidated Benefits)

	50%	75%
Employee	\$381	\$381
Employee plus 1 dependent	\$578	\$663
Employee plus 2 or more dependents	\$707	\$843

There is no change to the health, dental, and vision eligibility criteria or the enrollment processes. The deduction codes and premiums remain the same. For employees participating in the Consolidated Benefits Program, the full premium cost of the employee's health, dental, and vision benefits will continue to be offset by the employee's CoBen Benefit Allowance.

## **PARTY RATE CODES AND CONVERSION**

The SCO established new party rate codes to identify the new vesting schedule. No action is required by departments to convert to the new party rate codes. Each month the SCO will change the existing party rate code to the new party rate code for affected employees as needed. Employees that change party rates or transfer between bargaining units that are subject to the dependent vesting schedule will be converted to the appropriate party rate code by the SCO. The new codes will be reflected in the same location on all of the payroll online inquiry screens and payroll reports that include the current party rate codes. Following are the current party rate codes and the corresponding dependent vesting party rate codes. These party rate codes are only applicable to Non-CoBen employees who have elected dependent coverage. If the health coverage is for Employee only the vesting schedule is not applicable.

Current Party Rate Codes 100%	New Party Rate Codes 50%	New Party Rate Codes 75%
1	N/A	N/A
2	C	N
3	D	P
4	E	Q
5	F	R
6	G	S
7	H	T
8	J	U
9	K	V
A	L	W
B	M	X

## **CONVERSION EXAMPLES**

1. An employee with a collective bargaining designation of R03 is hired new to State service effective January 8, 2007. The employee elects pre-tax health coverage for self and one dependent. The hiring department enters Party Rate Code 2 into the Automated Communications Exchange System (ACES). The SCO will convert the Party Rate Code to the Dependent Vesting Party Rate Code C (50%).
2. An employee with a collective bargaining designation of R01 is hired new to State service effective March 2, 2007. The employee elects pre-tax health coverage for self and two dependents. The hiring department enters Party Rate Code 3 into ACES. The SCO will convert the Party Rate Code to the Dependent Vesting Party Rate Code D (50%). Effective October 1, 2007, the employee is appointed to an S01 classification. The SCO will convert the employee from Dependent Vesting Party Rate Code D (50%) to the Traditional Party Rate Code 3 (100%).

3. An employee with a collective bargaining designation of S04 is hired new to State service effective January 2, 2007. The employee elects pre-tax health coverage for self and one dependent. The hiring department enters Party Rate Code 2 into ACES. Because this employee is not subject to Health Dependent Coverage Vesting, the Party Rate Code will remain as 2. Effective August 1, 2007, the employee is appointed to an R03 position. Since the employee has 100% Dependent Coverage eligibility, the Party Rate Code should remain as 2 (100%). Therefore, no action will be taken by the SCO.

## **VIEWDIRECT**

The SCO is developing a Health Dependent Vesting report that will be accessible via ViewDirect in the near future. The report is to assist departments in answering employee questions, determining employee-vesting status and identifying when an employee's vesting rate level will change. Notification will be provided when the report is available on ViewDirect.

## **EXCEPTIONS TO DEPENDENT COVERAGE VESTING**

Bargaining Units 5, 6, 8, 9, and excluded employees are not subject to the Dependent Coverage Vesting schedule. Bargaining Units 2 and 7 began Dependent Coverage Vesting effective July 1, 2006. Refer to Payroll Letter 06-013 at <http://www.sco.ca.gov/ppsd/scoltrs/payr/2006/p06-013.pdf>

## **CONTACTS**

Revisions to the Payroll Procedure Manual are forthcoming. Questions regarding this letter may be directed to Sandy Westlake at (916) 324-9008 or by email at [swestlake@sco.ca.gov](mailto:swestlake@sco.ca.gov). Questions regarding Health Dependent Vesting administration should be directed to DPA at (916) 324-3438.

DS:LB:PMAB